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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
IDAHO POWER COMPANY FOR APPROVAL)	CASE NO. IPC-E-14-06
OR REJECTION OF AN ENERGY SALES)	
AGREEMENT WITH WILLIAM ARKOOSH)	REPLY COMMENTS OF
FOR THE SALE AND PURCHASE OF)	THE COMMISSION STAFF
ELECTRIC ENERGY FROM THE LITTLE)	
WOOD RIVER RANCH II PROJECT.)	

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Kristine A. Sasser, Deputy Attorney General, and in response to the Renewable Energy Coalition's Comments submitted on July 11, 2014, in Case No. IPC-E-14-06, submits the following responsive comments.

BACKGROUND

On July 11, 2014, comments were submitted by the Renewable Energy Coalition (REC) in support of the proposed power sales agreement (Agreement) between Idaho Power Company and William Arkoosh for the Little Wood River Ranch II hydro project. REC's comments focused almost exclusively on provisions in the Agreement related to 90/110 requirements for distinguishing firm and non-firm energy, and the proposed changes from quarterly to monthly notification for generation estimates. REC recommended approval of the Agreement.

Staff is filing a reply because it believes REC's comments are misleading. Although not expressly authorized to speak on his behalf, REC claims to represent the interests of Mr. Arkoosh and other members of REC with pending contracts containing similar language. Consequently, Staff believes it is important to address issues raised by REC's comments.

STAFF RESPONSE

REC's comments on what it claims are similar contracts are misleading in several respects. First, REC's comments seem to imply that Commission approval of a deviation from existing 90/110 requirements for another project justify deviation in the present case. REC states that "[n]egotiation and agreement between the parties was the foundation for the Commission's Staff to recommend approval of the Bell Mountain hydro agreement in Case PAC-E-09-09, Order 30989 in which the Commission ultimately approved replacement of the 90/110% bandwidth standard terms with an alternative applying a Mechanical Availability Guarantee ('MAG')."

In fact, Staff recommended, and the Commission approved, a deviation from the 90/110 requirements for the Bell Mountain project because the project was very small (290 kW) and because the project agreed to an alternative for the 90/110 that is even more rigorous than what is required for wind projects. Bell Mountain agreed to a 5.10% integration charge to be applied as a reduction to avoided cost rates and a 90% MAG (an 85% MAG is required for wind).

Moreover, while the Bell Mountain contract substitutes a MAG and an integration charge for the 90/110 requirements, it still requires the QF to provide monthly generation estimates, and permits them to be revised only at three month intervals – such as is currently required by Order No. 29632 and recommended by Staff to be applied to Arkoosh's agreement. Consequently, the terms approved by the Commission in Bell Mountain's contract are drastically different from what is being proposed in the present case.

REC's comments also refer to several other unnamed contracts that have been negotiated with Idaho Power containing the same 90/110 requirements as that proposed for Arkoosh's project. Although there are several contracts currently *submitted* to the Commission that propose the same 90/110 requirements, there are no contracts that have been *approved* by the Commission with these provisions.


REC also states that it had an independent analysis performed several months ago that revealed a project's revenues could be reduced by as much as one third under the existing 90/110

requirements. Unfortunately, REC did not provide a copy of its analysis to support its position. Nevertheless, Staff does not believe that the possibility that a project's revenues could be reduced is justification for changing the 90/110 requirements.

Staff continues to recommend that any change to notification requirements associated with 90/110 be considered in a separate docket. The fact that REC commented in this case not only on behalf of Mr. Arkoosh but also "other parties involved in subsequent power purchase agreements pending the Commission's approval" supports Staff's position that possible changes to the 90/110 are better considered in a separate docket in which all interested persons or parties can participate.

Finally, Staff's initial comments contain an error that does not affect the substance of the comments. The last sentence of the first paragraph on page 8 is incorrect and should be deleted. The Little Wood River Ranch II Agreement contains only non-seasonal rates.

Respectfully submitted this 18TH day of July 2014.


Kristine A. Sasser
Deputy Attorney General

Technical Staff: Rick Sterling
Yao Yin

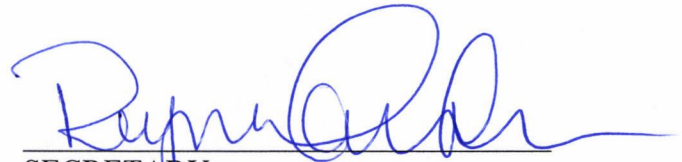
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 18th DAY OF JULY 2014,
SERVED THE FOREGOING **REPLY COMMENTS OF THE COMMISSION STAFF**,
IN CASE NO. IPC-E-14-06, BY MAILING A COPY THEREOF, POSTAGE PREPAID,
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